



**AGENDA MEMORANDUM**

**Item No.**

8d

**ACTION ITEM**

**Date of Meeting**

September 24, 2019

**DATE:** September 5, 2019

**TO:** Stephen P. Metruck, Executive Director

**FROM:** James Schone, Director, Aviation Commercial Management  
Dawn Hunter, Sr. Manager, Airport Dining and Retail

**SUBJECT:** Airport Development Fund and Airport Dining and Retail Tenant Marketing Request

**ACTION REQUESTED**

Request Commission authorization for the Executive Director to execute multiple contracts for: 1) Marketing and advertising; (2) In-Terminal Entertainment; (3) Music Program; (4) mobile ordering and delivery software applications along with the associated hardware; 5) quality assurance/customer service; all in support of the Airport Dining and Retail Program, and 6) Concessionaire Ad Hoc Expenditures. The value for all contracts will not exceed an estimated \$10,000,000 over 5 years with the funding to come from the Airport Dining and Retail (ADR) Tenant Marketing Fund plus the Port's contribution of \$1,142,500 to the Music Program.

**EXECUTIVE SUMMARY**

This authorization request is for the procurement of a variety of contracts necessary to support the marketing efforts of the ADR tenants. These marketing efforts are primarily to promote the ADR tenants, promote awareness of the new ADR offerings at the Airport, and enhance the customer experience through promotion of the Pacific Northwest sense of place at the Airport.

These contracts, which are funded by the ADR tenants through a requirement in their leases, are critical to the continued success of the ADR Program and its tenants. The success of the ADR Program benefits the Airport through improved customer service and increased non-aeronautical revenue. Authority to spend marketing funds is already contained both in the approval of ADR tenants' leases and in the annual tenant marketing operating budget, which is reviewed and authorized annually by the ADR tenants.

Six contract procurements are included in this request:

- 1) Marketing and advertising management to develop an updated marketing campaign to replace the outdated Eat, Shop, Fly advertising in alignment with the new airport brand. The purpose is to build awareness of the ADR Program and the ADR Tenants within the Pacific Northwest region and with the travelling public and increase non-aeronautical revenue.

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- 2) In-Terminal Entertainment for ADR events to coordinate efforts with the over-arching strategy as approved by the ADR Tenant Marketing Committee for entertainment activities in the Airport terminal buildings. The Purpose is to entertain the travelling public to create a more attractive ambience in the Airport terminal buildings and create a stronger sense of place.
- 3) Airport Music Program to create a Pacific Northwest sense of place that is inclusive and fully representative of the great music performed by artists who live in the region and the many different music genres and cultures found in this region. One contract to fund the current program which is running low on funds, and a second contract for 2020 – 2025.
- 4) Mobile Ordering and Delivery Software to develop and implement a system for the on-line ordering and delivery of food, beverages and retail products from ADR tenants.
- 5) Quality Assurance/Customer Service for ADR tenants to provide customer service training for ADR Tenants as well as feedback mechanisms for their delivery of excellent customer service.
- 6) Concessionaire Ad Hoc Expenditures/Contracts for Photography, graphic design, voice overs, advertising purchases, digital technology, equipment rental, media buys (print, radio, online), television, special events, signage, and technical expertise.

Contract details are below.

### **JUSTIFICATION**

These programs enhance the traveler experience at Sea-Tac, improve customer service, provide non-aeronautical revenue, and provide employment and business growth opportunities.

### **Diversity in Contracting**

ADR staff is working with staff in the Port's Diversity and Contracting Department as well as members of the ADR Tenant Marketing Committee to maximize Women and Minority Business Enterprise (WMBE) participation.

### **Details**

*How the Program works.*

In 2005, the Port and the ADR tenants established a joint marketing program for the purpose of promoting the quality and variety of products and services available from the new dining and retail tenants. Tenant marketing programs such as this have become standard practice in airports across the country.

The tenant marketing program at the Airport is paid for by the ADR tenants, as per the terms of their lease agreements. Each tenant contributes 0.5% of gross monthly sales per unit, but no more than \$30,000 annually into the Tenant Marketing Fund. The marketing program revenues and expenditures are managed by the ADR staff within Aviation Commercial Management.

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Allocations for the funds at the Airport are determined by regular meetings with the ADR Tenant Marketing Committee. This committee meets quarterly with the ADR staff to determine the annual budget, review and approve all marketing and branding expenditures as well as planning for in-terminal promotions such as the “Taste of Sea-Tac” Event and the annual year-end holiday celebration.

**ADR Marketing and Advertising Campaign**

- Contract duration: Up to 4 years (2 year with a 2-year option) to develop an updated marketing campaign to replace the outdated Eat, Shop, Fly advertising in alignment with the new airport brand.
- Contract value: To be determined; 100% funded by the ADR tenants; ADR staff will administer the contract and port staff will work collaboratively with tenants to build an integrated marketing campaign with final approval by the ADR Tenant Marketing Committee.
- Purpose: to build awareness of the ADR Program and the ADR Tenants within the Pacific Northwest region and with the travelling public and increase non-aeronautical revenue.

In the years following the redevelopment of the ADR program in 2005, it was important to market broadly to the Puget Sound region about all the new food, beverage and retail offerings at the Airport. The program has been quite successful in building awareness of the ADR Program with the travelling public. It has also garnered several awards: in 2012, the ADR marketing program received two ACI awards for “Excellence in Communication” for the current Eat, Shop and Fly marketing campaign and its associated radio advertising.

As the Airport is in the final stage of implementing the 2014 ADR Master Plan, this is an exciting time to redevelop the tenant marketing and in-terminal programs and events. The Tenant Marketing Committee has a desire to develop new marketing strategies and promotional activities at the Airport, with the purpose of promoting the many new businesses and their brands, building the Pacific Northwest sense of place and influencing impulse purchases.

The work underway to develop a distinct brand identity for SEA is a timely opportunity to better coordinate the investments being made by the Port and by the ADR tenants to promote the dining and retail offerings at Sea-Tac. Given the need to update the Eat, Shop and Fly campaign and to align it with upcoming SEA branding efforts, Port staff will be working closely with ADR tenants to create a more cohesive communications strategy that reflects the preferences of tenants and complements the other marketing messages from across the Airport. All contracted work paid for with tenant funds will be approved by the ADR Tenant Marketing Committee prior to implementation.

Procurements to support these initiatives may include contracted marketing services (e.g. advertising, graphic design, website management, in-terminal promotions, unique customer

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experience programs, and development of new technology-related innovations to increase sales in the terminal.

**In-Terminal Entertainment**

- Contract duration: Up to 5 years
- Contract value: To be determined; 100% funded by the ADR tenants. The contract will be managed by ADR staff that will coordinate their efforts with the over-arching strategy as approved by the ADR Tenant Marketing Committee for entertainment activities in the Airport terminal buildings.
- Purpose: to entertain the travelling public to create a more attractive ambience in the Airport terminal buildings and create a stronger sense of place.

Entertainment during the year-end holidays in support of the ADR Program started in 2005. Designed around peak traffic hours, the program entertains passengers and guests alike, reducing the impact of the busy travel periods on passengers and their “meeters and greeters.” The holiday and seasonal entertainment programs receive great reviews from passengers and staff. There is a need to procure vendors to support these programs and to align this work with the growing and broader array of customer-focused activities and events in the terminal that take place throughout the year. All contracted work and activities paid for with tenant funds will be approved by the ADR Tenant Marketing Committee and outlined in the yearly budget.

**Music Program**

- Contract duration: Up to 5 years (small business opportunity).
- Contract value:
  - \$425,000 per year; 50% funded by ADR tenants (\$212,500 per year) and 50% by the Port (\$212,500 per year); and
  - A one-time expenditure of \$80,000 from both the Port and the ADR Tenant Marketing Fund to cover increased use of the Music Program during the 2019-2020 program year.
- Purpose: To create a Pacific Northwest sense of place that is inclusive and fully representative of all the great music performed by artists who live in the region and the many different music genres and cultures found in this region.

The Music Program is managed by a third-party firm which selects the musicians and handles all their scheduling in the Airport terminal buildings. The current vendor employees five (5) full-time workers and over ninety (90) Northwest entertainers and musicians, both pre- and post-security, with compensation above the minimum wage requirement specified by the City of SeaTac’s Proposition 1.

In June 2016, the Commission authorized expenditures from the Airport Development Fund in conjunction with funds from the Tenant Marketing Fund for the Airport’s Music Program. This

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program is responsible for the selection and scheduling of local musicians in the Airport terminal buildings. The program has been well-received by the travelling public as well as Airport tenants and has garnered national and international recognition. Airport staff and the ADR tenants would like to continue this program with funding coming 50% from the Port and 50% from the ADR Tenant Marketing Fund.

When Commission initially authorized \$375,000 (\$125,000 per year for 3 years) to co-sponsor the Music Program, the program was new and had relatively few locations in the Airport. In the years since the original authorization, the Music Program has grown significantly. Musicians from throughout the Puget Sound region perform on every concourse. The program also is used to provide musicians to support special events and celebrations.

The Music Program has been successful in creating a more attractive sense of place within the terminal buildings as well as increasing passenger dwell time in areas where the music is playing. ADR tenants have commented that placing musicians outside of their locations has had a positive impact on bringing customers into their stores and restaurants. Since the inception of the Music Program, it has garnered industry awards from Future Travel Experience for “Best Arrivals Experience” and in 2014 received an Airports Council International (ACI) Marketing & Communications award for “Customer Service Initiatives.”

ADR is requesting \$212,500 per year for five years to continue the co-sponsorship of the music program. The increase from \$125,000 per year to \$212,500 is to support the growth of the program. Staff is also requesting an additional \$80,000 one-time expenditure to cover the remaining contract term (set to expire in February 2020) with the vendor selected in 2016 to manage this program. These additional funds are needed to cover the increased use of the Music Program for Port and cultural events held during the 2019-2020 program year. The ADR Tenant Marketing Fund will provide matching funds for this additional expenditure.

### **Mobile Ordering Application**

- Contract duration: Up to 5 years.
- Contract value: To be determined; 100% funded by the ADR tenants.
- Purpose: to develop and implement a system for the on-line ordering and delivery of food, beverages and retail products from ADR tenants to passengers and those who work for companies at the Airport. This will be managed by ADR staff that will coordinate their efforts with the ADR Tenants.

The consistent growth in passengers has led to long wait times at many ADR units, and many passengers deciding not to purchase anything due to the long lines. To address this issue and to attract the technology-savvy passenger, staff and tenants are proposing an innovative solution. A number of airports across the country have partnered with companies that provide mobile ordering options. Some of these programs also offer delivery service throughout the airport.

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The ADR Tenant Marketing Committee has agreed to pay for all expenses (software development and deployment, associated hardware, system testing, data management, training, web portal development and support, provision of equipment necessary to supplement the integration of these systems with the ADR tenants proprietary point-of-sale systems and other services/equipment/systems as deemed appropriate) relative to the launch and utilization of a mobile ordering and delivery system.

**Quality Assurance**

- Contract duration: Up to 5 years.
- Contract value: To be determined; 100% funded by the ADR tenants. This contract will be managed by ADR staff that will coordinate their efforts with the comprehensive quality assurance/customer service program at SEA as approved by the ADR Tenant Marketing Committee.
- Purpose: To provide customer service training for ADR Tenants as well as feedback mechanisms for their delivery of excellent customer service.

The ADR Quality Assurance program, in conjunction with Aviation Customer Service, is intended to help the ADR tenants with customer service training and to receive constructive feedback regarding their customer service for the traveling public.

Specific objectives of this program are:

- To improve the overall customer experience at SEA.
- To maximize non-aeronautical revenue by increasing awareness of quality service.
- To promote quality jobs by recognizing the amazing employees of ADR tenants.
- To provide ADR tenants with feedback to make their businesses better.

**Concessionaire Ad Hoc Expenditures/Contracts**

The high volume, ever-changing nature of the ADR business requires the ability to undertake short-term projects to respond to tenants’ needs. These projects are typically designed to address specific ADR program objectives/needs such as photography, equipment rental for special events or maintenance of the digital directories. The ADR tenants are requesting the ability to contract, and purchase goods and services for these ad-hoc needs.

<b>Proposed Tenant Marketing Fund Uses In 2020 Programs to be Funded</b>	<b>Amount Funded by the ADR Tenant Marketing Fund</b>	<b>Amount Funded by the Airport Development Fund</b>
ADR Marketing Campaign	\$1,000,000	NA
Music Program	\$212,500	\$212,500
In-Terminal Entertainment	\$200,000	NA
Mobile Ordering Application	\$450,000	NA
Quality Assurance	\$100,000	NA
Ad Hoc Expenditures	\$200,000	NA

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**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1** – Do not approve this action.

Cost Implications: The cost implications are unknown at this time. The events and music program would need to be absorbed within the budget of the Aviation Division or eliminated.

Pros:

- (1) The Port would not spend funds to co-sponsor its share of the Airport Music Program.

Cons:

- (1) Instead of a well-coordinated marketing program, the ADR tenants would pursue marketing initiatives individually.
- (2) This option would limit the visibility of smaller businesses that do not have the collective buying power for marketing compared to the larger businesses.
- (3) This option does not provide the Port with assurance that each tenant will comply with Port marketing requirements and policies.
- (4) There will be a reduction of public awareness for the ADR merchant locations and product/service offerings.
- (5) ADR tenants, who express high regard for the marketing program, will likely be dissatisfied with the change.
- (6) An opportunity for small business participation in Port programs would be lost.
- (7) An opportunity to further the Pacific Northwest sense of place would be lost.

This is not the recommended alternative.

**Alternative 2** – Move forward with the recommended action.

Cost Implications: \$1,142,500 from the Airport Development Fund to co-sponsor the Music Program.

Pros:

- (1) A valuable tool is retained for promoting the ADR program.
- (2) Signature components of the ADR Program’s uniqueness are continued.
- (3) This helps grow non-aeronautical revenue for the Port.
- (4) This supports and fosters the Pacific Northwest sense of place
- (5) This retains opportunities for small business participation.
- (6) The ADR tenants’ desire to have a quality assurance program to gauge and elevate customer service would be met.

Cons:

- (1) The Port will spend money from the Airport Development Fund for the co-sponsorship of the Music Program.

**This is the recommended alternative.**

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**ATTACHMENTS TO THIS REQUEST**

- (1) Tenant Marketing and Music Program Presentation slides

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

June 28, 2016 – The Commission authorized the Chief Executive Officer to procure and execute four consulting contracts to promote doing business with Airport Dining and Retail tenants in amount not to exceed \$375,000 for the Music Program.